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Nº 82 – March 2006

GENERAL INTEREST

The Challenges of Globalization

State Department – Electronic Journal – February 2006 - 62 pages

<http://usinfo.state.gov/journals/itgic/0206/ijge/ijge0206.htm>

“This journal presents a variety of perspectives on the complex phenomenon of globalization. Highlights include an essay on the link between trade and development by Josette Shiner, under secretary of state for economic, business, and agricultural affairs; an interview with futurist Daniel Pink on globalization and the changing workplace; and a forum moderated by journalist James Glassman with trade expert Claude Barfield and Venezuelan economist Moises Naim on where globalization is headed. Video clips and a Podcast of the forum are available. Other articles deal with human rights and democracy, crime and terror, health, higher education and culture in a globalized world.”

Kenneth Dam

The Judiciary and Economic Development

The Brookings Institution – Report – March 2006 – 41p

<http://www.brookings.edu/views/papers/200603dam.pdf>

“A number of studies show some of the positive benefits of strong effective judiciaries. The degree of judicial independence is correlated with economic growth. Better performing courts have been shown to lead to more developed credit markets. A stronger judiciary is associated with more rapid growth of small firms as well as with larger firms in the economy. Economic studies show that within individual countries the relative competence of provincial and state courts affects comparative economic competitiveness.”

William T. Dickens, Isabel Sawhill, and Jeffrey Tebbs

The Effects of Investing in Early Education on Economic Growth

The Brookings Institution – Working Paper – January 2006 – 21p

<http://www.brookings.edu/views/papers/200601dickenssawhill.pdf>

“In this paper we develop a model that is flexible enough to allow a wide range of assumptions about the role of education in promoting economic growth. The model is particularly elaborate in its treatment of the breakdown of the population into different cohorts and in determining the amount of education people in different cohorts receive. This treatment allows us to develop a realistic estimate of the timing of the growth effects of a program that will take many years to have its full impact.”

External Imbalances and Adjustment in the Pacific Basin: Conference Summary

FRB San Francisco - Economic Letter - March 10, 2006

<http://www.frbsf.org/publications/economics/letter/2006/el2006-04.html>

“This year's Pacific Basin Conference brought together seven papers examining the U.S. current account deficit and its implications, with special emphasis on the prominent role of Asian countries, which accounted for over 40% of the overall U.S. trade deficit in 2004.”

U.S. ECONOMY

U.S. Economy Outperforms Peer Group From 2001 to 2005

Joint Economic Committee – Research Report - March 2006 – 2 pages

<http://www.house.gov/jec/publications/109/rr109-32.pdf>

“Overall U.S. economic performance has been better than that of the other major advanced economies over the last five years. The JEC report uses standard measures such as GDP, investment, employment, unemployment, productivity, inflation, and equity prices to compare the performance of the American, European, Japanese, and Canadian economies... From 2001 to 2005, the U.S. had the fastest rate of economic growth, and ranked highly in most other categories between 2001 and 2005.”

Productivity Growth: Causes and Consequences - Conference Summary

FRB San Francisco Economic Letter - February 24, 2006

<http://www.frbsf.org/publications/economics/letter/2006/el2006-02.html#subhead3>

“This Economic Letter summarizes the papers presented at the conference "Productivity Growth: Causes and Consequences" held at the Federal Reserve Bank of San Francisco on November 18-19, 2005, under the sponsorship of the Bank's Center for the Study of Innovation and Productivity. The papers are listed at the end and are available on-line.”

Recent Developments in Housing Markets: A National and Local Perspective

FRB Saint Louis – Remarks - March 8, 2006 -

http://www.stlouisfed.org/news/speeches/2006/03_08_06.htm

“Housing is an important sector of the economy, in terms of share of GDP, size of the capital stock and as a key area of national policy. My purpose this morning is to review some important housing facts and to provide a longer-run perspective to aid in interpreting the facts.”

TAX AND FISCAL POLICIES

Todd E. Clark and Taisuke Nakata

The Trend Growth Rate of Employment: Past, Present, and Future

FRB Kansas City – Economic Review – First Quarter 2006 – 43p

<http://www.kc.frb.org/publicat/econrev/PDF/1q06clar.pdf>

“A change in trend would have important implications for fiscal and monetary policy. For fiscal policy, slower trend growth in employment will tend to result in slower long-term growth in tax revenues, with potentially important effects on government programs such as Social Security. For monetary policy,

assessments of the state of labor markets and the overall economy compared to sustainable trends often figure prominently in monetary policy decisions.”

William W. Beach

Public Policy in the Age of Entitlements

The Heritage Foundation – March 27, 2006 –Issue Paper – 5p

<http://www.heritage.org/Research/SocialSecurity/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=95478>

“It is not often remembered that fundamental public policies in the United States are rooted in the constitutional settlement of more than 200 years ago. Advocates of policy change often are mystified by "inelasticities" in the political system that frustrate efforts to solve pressing social and economic problems. They sometimes rail against the Senate for its snail-pace timetable for deciding anything or, at other times, fear the House of Representatives for the swiftness with which even the most sacred policies and programs fall to ideological majorities.”

Key Budget Process Reforms

Budget Committee of the House of representatives – March 16, 2006 - Hearing -

<http://www.house.gov/budget/hearings.htm>

“The annual budget resolution and the process to enact it could be improved in a number of both technical and significant ways.”

Matt Fellowes and Amy Liu

Federal Allocations in Response to Katrina, Rita And Wilma

The Brookings Institution – Analysis - March 2006 – 5p

http://www.brookings.edu/metro/pubs/20060320_Katrinafactsheet.pdf

“Federal allocations in response to hurricanes Katrina, Rita, and Wilma now total over \$88 billion. Additionally, over \$8 billion in tax relief is available, and another \$19.8 billion in spending has been proposed by the Bush administration in February 2006. While these numbers appear quite large, widespread uncertainty exists over how much of this money has actually been spent and where.”

Present Law and Background Relating To State and Local Government Bonds

Joint Committee on Taxation – Report - March 16, 2006 – 49p

<http://www.house.gov/jct/x-14-06.pdf>

“Interest on bonds issued by State and local governments generally is excluded from gross income for Federal income tax purposes. Bonds issued by State and local governments may be classified as either governmental bonds or private activity bonds. Governmental bonds are bonds the proceeds of which are primarily used to finance governmental functions or which are repaid with governmental funds. Private activity bonds are bonds in which the State or local government serves as a conduit providing financing to nongovernmental persons (e.g., private businesses or individuals). The exclusion from income for State and local bonds does not apply to private activity bonds, unless the bonds are issued for certain permitted purposes (“qualified private activity bonds”).”

MONETARY POLICY

Janet L. Yellen

Enhancing Fed Credibility

FRB San Francisco – Economic Letter - March 17, 2006 – 8p

<http://www.frbsf.org/publications/economics/letter/2006/el2006-05.pdf>

“In summary, the Fed has made significant progress in building credibility over the past two decades by following systematic and appropriate monetary policy and gradually increasing the quality of our communication and transparency. I think it makes sense to take this transparency at least one step further by articulating a numerical price stability objective. I recognize that there are potential costs to doing so, but to my mind, they are outweighed by the benefits. Such a step could further enhance the credibility of the Fed and improve the effectiveness of monetary policy not only for controlling inflation but also for stabilizing employment and output.”

Chairman Ben S. Bernanke

The Benefits of Price Stability

Federal reserve Board - Remarks - February 24, 2006

<http://www.federalreserve.gov/boarddocs/speeches/2006/20060224/default.htm>

“Price stability plays a dual role in monetary policy. Stable prices are desirable in themselves and thus are an important goal of monetary policy. But stable prices are also a prerequisite to the achievement of the Federal Reserve's other mandated objectives, high employment and moderate long-term interest rates. In particular, low and stable inflation and inflation expectations enhance both economic growth and economic stability. The complementarity of price stability with the other goals of monetary policy is now the consensus view among economists and central bankers. That consensus has not been achieved easily.”

President William Poole

Fed Communications

FRB St. Louis – Remarks - February 24, 2006.

http://www.stlouisfed.org/news/speeches/2006/02_24_06.htm

“The thrust of my argument is that the word “transparency” is misleading with respect to Federal Reserve communications challenges. Instead, the Fed needs a conscious communications strategy rather than a strategy of simply “opening up.” The purpose of a conscious strategy is not to hide anything but rather to have a clear transmission of information. Successful communication requires that the FOMC distill principal messages or themes from its deliberations and the vast amount of material considered.”

FINANCE

Robert E. Litan

Sharing and Reducing the Financial Risks of Future "Mega-Catastrophes"

The Brookings Institution – Report - March 2006 – 40p

http://www.brookings.edu/views/papers/200603_iiiep_litan.pdf

“While policymakers and leaders continue to debate the rebuilding of Gulf areas devastated by Hurricane Katrina, a much greater loss looms on the horizon. Katrina exposed more than problems with poverty, emergency management, and infrastructure. The storm also illustrated the inability of private insurance markets to handle large-scale losses. "Mega-catastrophes" are catastrophic events, like Katrina, whose costs

are so large and unpredictable that private insurers either are unwilling to insure against them, or charge premiums so high that significant numbers of customers do not want or cannot afford the insurance.”

David R. Skeie

Money and Modern Banking without Bank Runs

FRB New York – Staff Report – March 2006 – 50p

http://www.newyorkfed.org/research/staff_reports/sr242.pdf

“In the literature, bank runs take the form of withdrawals of real demand deposits that deplete a fixed reserve of goods in the banking system. However, in a modern banking system, large withdrawals take the form of electronic payments that shift balances among banks within a clearinghouse system, with no analog of a depletion of a scarce reserve. In a model of nominal demand deposits repayable in money within a clearinghouse, the author shows that interbank lending and monetary prices imply that traditional bank runs do not occur. This finding suggests that deposit insurance may not be needed to prevent bank runs in a modern economy.”

Nicola Cetorelli and Linda Goldberg

Risks in U.S. Bank International Exposures

FRB New York – March 2006 – Staff Report – 24p

http://www.newyorkfed.org/research/staff_reports/sr240.pdf

“U.S. banks have substantial exposure to foreign markets such as Europe and Latin America. In this paper, we show how the amounts and forms of these exposures have evolved over time and note the changes in embodied risks taken through banks’ cross-border activity, local claims, and derivative positions. Our findings vary with the type of U.S. bank. Compared with other banks, money-center banks tend to have a greater share of their assets in foreign exposures.”

Peter J. Wallison

How Restrictions on the Size of the GSEs’ Portfolios Became the Central Issue in Reform of Their Regulation

AEI - March 14, 2006 – Policy Brief – 23p

http://www.aei.org/publications/filter.economic.pubID.24056/pub_detail.asp

“The portfolios of mortgages and mortgage-backed securities held by Fannie Mae and Freddie Mac have now become the central issue in the legislative battle over improvements in their regulation. But it was not always so. Only after it was found that Freddie Mac had violated accounting rules did policy-makers--and particularly Fed chairman Alan Greenspan--begin to suggest that the only way to protect against the systemic risk associated with the GSEs (government-sponsored enterprises) was to limit, reduce or eliminate their portfolios of mortgages and mortgage-backed securities. If this approach is ultimately adopted by Congress, it will substantially reshape their business model and perhaps induce them to give up their government charters.”

Barbara Pacheco and Richard Sullivan

Interchange Fees in Credit and Debit Card Markets: What Role for Public Authorities? A Conference Summary

FRB Kansas City – Summary – First Quarter 2006 – 27p

<http://www.kc.frb.org/publicat/econrev/PDF/1q06pach.pdf>

“Credit and especially debit card transactions are on the rise worldwide. Interchange fees are an integral part of the pricing structure of credit and debit card transactions. Indirectly paid by merchants to card issuers, interchange fees in most countries are set by credit and debit card networks. But in one country, Australia, the central bank is regulating interchange fees, and in several other countries and areas, including the European Union, Mexico, the Netherlands, Spain, and the United Kingdom, public officials are taking, or considering taking, a more hands-on regulatory stance. In the United States, it is largely the court system that is debating interchange issues.”

Robert E. Litan and Alex J. Pollock

The Future of Charge Card Networks

AEI-Brookings Joint Center Working Paper, February 2006

<http://www.aei-brookings.org/admin/authorpdfs/page.php?id=1255>

“The general-purpose charge card is now ubiquitous and largely taken for granted. Annual charge card volume exceeds \$5 trillion worldwide. Within the United States, nearly one billion cards are in use (about eight per household), and more than two billion worldwide. But charge cards, or more specifically, the cooperative networks that serve the largest card systems, Visa and MasterCard, are under legal attack through multiple lawsuits and under regulatory challenge in other countries. We trace in this essay multiple possible future “scenarios.” This focus on possible futures distinguishes our work from many earlier studies of this subject.”

Chairman Ben S. Bernanke

Community Banking and Community Bank Supervision in the Twenty-First Century

Federal Reserve Board - Remarks - March 8, 2006

<http://www.federalreserve.gov/boarddocs/speeches/2006/20060308/default.htm>

“Community banks have long played a critical role in the U.S. economy, and this is no less true in the twenty-first century. Today, I will begin by making some observations, based in part on research done at the Federal Reserve and elsewhere, about the health of community banks and their evolving role in our economy. Community banks are generally doing quite well, and I expect that good performance to continue. But community banks also face a changing business environment that presents a number of important long-run challenges. In the second portion of my remarks, I will speak a bit about how the Federal Reserve, as the supervisor of many community banks, is also adjusting to a changing environment, and I will review some of the key financial risks facing community banks.”

Senator Paul S. Sarbanes

Assessing the Current Oversight and Operation of Credit Rating Agencies

US Senate Committee on Banking, Housing, and Urban Affairs – March 7, 2006 – Hearing -

<http://banking.senate.gov/index.cfm?Fuseaction=Hearings.Testimony&TestimonyID=1135&>

“In recent years, concerns have been raised about the industry. In late 2001, the largest credit rating agencies maintained an investment grade rating on Enron debt after its major financial restatements and until four days before Enron declared bankruptcy. As a result, as Business Week reported, there was a “barrage of criticism . . . that raters should have uncovered the problems sooner at Enron, WorldCom and other corporate disasters. Today’s hearing will provide us with the opportunity to hear testimony on issues that have been raised in the press and elsewhere about the credit rating industry.”

Chairman Michael G. Oxley

Fostering Accuracy and Transparency in Financial Reporting

House Committee on Financial Service – March 29, 2006 – Hearing -

<http://financialservices.house.gov/hearings.asp?formmode=detail&hearing=453>

“We are here today to review the status of our public company financial reporting system. For over 70 years, public companies have been filing their financial statements with the Securities and Exchange Commission. Congress mandated these filings so that the investing public would understand the financial condition of public companies. These statements and the explanations accompanying these statements are at the heart of investor disclosure. It is critical for investors making decisions about where to put their money that these statements are readable, accessible, and meaningful.”

REGULATION

Glen Whitman

Against the New Paternalism: Internalities and the Economics of Self-Control

Cato Institute - February 22, 2006 – Policy Analysis – 16p

<http://www.cato.org/pubs/pas/pa563.pdf>

“The new paternalists would have us believe that benevolent government can—through taxes, subsidies, restrictions on the availability of products, and so on—make us happier according to our own preferences. But even if we place little or no value on freedom of choice for its own sake, the paternalists’ recommendations simply don’t follow. Public officials lack the information and incentives necessary to craft paternalist policies that will help the people who most need help, while not harming those who don’t need the help or who need help of a different kind. Individuals, on the other hand, have every reason to understand their own needs and find suitable means of solving their own problems, own needs and find suitable means of solving their own problems.”

Professor Baumol

Regulation Misled by Misread Theory

The Brookings Institution – Monograph – March 2006 – 48p

<http://www.aei-brookings.org/admin/authorpdfs/page.php?id=1257>

“Over the last half century, distinguished economist William Baumol has made major contributions to several fields in economics. Regulation Misled by Misread Theory yet again promises to change how we think about how markets really work. Standard economics has long held that firms can price discriminate only when they have monopoly power. Antitrust authorities and other regulators are thus tempted to use the existence of price discrimination as one indicator that a firm should possibly be subject to government investigation. In this monograph Professor Baumol shows that price discrimination not only exists in competitive markets but sometimes is a crucial feature of them. Baumol concludes by urging regulators to tread carefully when applying theory to policy.”

A Review of Self-Regulatory Organizations in the Securities Markets

US Senate Committee on Banking, Housing, and Urban Affairs – March 9, 2006 – Hearing

<http://banking.senate.gov/index.cfm?Fuseaction=Hearings.Testimony&TestimonyID=1148&HearingID=198>

“The level of success achieved by self-regulatory organizations in protecting investors has been the subject of considerable debate. In recent years, that debate has only intensified, particularly in the aftermath of the governance and specialist trading scandals at the New York Stock Exchange, the largest SRO, and the

NYSE's conversion from a not-for-profit, member-owned organization to a for-profit, shareholder-owned entity."

OCC Consumer Assistance: Process Is Similar to That of Other Regulators but Could Be Improved by Outreach

GAO – Report - February 23, 2006 – 46 pages

<http://www.gao.gov/cgi-bin/getrpt?GAO-06-293>

"In January 2004, the Office of the Comptroller of the Currency (OCC)—the federal regulator of national banks—issued rules concerning the extent to which federal law preempts state and local banking laws. Some state officials and consumer groups expressed concerns about a perceived loss of consumer protection. GAO identified (1) how OCC's complaint process compares with that of other federal bank regulators, (2) how complaint information informs OCC's supervision of national banks, and (3) issues that consumer advocates and state officials have raised about OCC's consumer protection efforts and OCC's responses to the issues."

Phil Davies

Condemned Prosperity

FRB Minneapolis – Fedgazette – March 2006

<http://www.minneapolisfed.org/pubs/fedgaz/06-03/domain.cfm>

"Whatever lawmakers and judges ultimately decide, the economic case against using eminent domain to facilitate private development is strong. Taking someone's property—"blighted" or not—for condos, offices or shops may help a community pull ahead of its competitors in the economic development sweepstakes. But the broader public gains little or nothing-and loses economic ground in some instances—when the enormous power of eminent domain fails to serve a true public purpose."

REGIONAL ECONOMIC DEVELOPMENT

Mark Drabenstott

Rethinking Federal Policy for Regional Economic Development

FRB Kansas City – Economic Review – First Quarter 2006 – 28p

<http://www.kc.frb.org/publicat/econrev/PDF/1q06drab.pdf>

"This is a critical time to take stock of this federal effort. The current deficit makes every dollar count in Washington. But there is a far more compelling reason to rethink federal policy for economic development: The world has changed but federal policy has not. Globalization of markets for goods, services, capital, and currencies has fundamentally changed the rules of the game in economic development. The problem is quite simple: Most federal programs for economic development were written for the economy of the 20th century, not the 21st century."

Making Sense of Clusters: Regional Competitiveness and Economic Development

The Brookings Institution – Discussion Paper - March 2006 – 66p

http://www.brook.edu/metro/pubs/20060313_Clusters.pdf

"As more and more scholars and policy experts struggle to determine what makes a successful region (urban or otherwise), there is a growing interest in the notion of cluster strategies and how they may be best deployed. Basically, this economic development strategy states that a group of related firms or companies in close proximity can create a number of productive and competitive advantages for the region."

Jason Henderson

A Robust Rural Economy in 2006?

FRB Kansas City – Economic review – First Quarter 2006 – 17p

<http://www.kc.frb.org/Publicat/econrev/PDF/1q06hend.pdf>

Heading into 2006, the rural economy appears poised for another year of robust activity, especially if private sector forecasts hold true. Energy prices are the risk to the forecast. The higher oil and natural gas prices translate into higher production costs for factories, farms, and households. Yet, higher prices are also underpinning a new wave of investments and market opportunities in rural America's emerging bio-based energy sector.

Alphonso Jackson, Secretary, U.S. Department of Housing and Urban Development

Hearing on Oversight of the Department of Housing and Urban Development

House Committee on Financial Service – March 30, 2006 – Hearing

<http://financialservices.house.gov/media/pdf/033006aj.pdf>

“Over the past five years, HUD has successfully implemented the President's agenda to spur on economic and community development by promoting homeownership, particularly among the lowest-income Americans; increased access to affordable rental housing, while combating all forms of discriminatory housing practices; and made a commitment to focus community development dollars better on those most in need by increasing local control.”

Jim Henderson

Employee Choice Would Send Strong Signal for Economic Development

Bluegrass Institute, Article, February 28, 2006.

<http://www.bipps.org/ARTICLE.ASP?ID=533>

Kentucky is the only southern state that forces people to join and pay dues to a union if one is present, sending the signal that Kentucky is not a job-friendly commonwealth. This leads many workers and corporations to skip over Kentucky and move to an employee-choice state, like Tennessee. By giving employees a choice about whether they want to join and pay dues to a union, Kentucky would take itself off the economic development "No Call" list, thus removing any competitive disadvantage.

The Wealth (and poverty) of Indian Nations

FRB Minneapolis – Fedgazette – March 2006

<http://www.minneapolisfed.org/pubs/fedgaz/06-03/cover.cfm>

In this fedgazette, we focus on efforts by the district's Indian population to rebuild its economies and cultures through the development of small business and higher education—the latest chapter in a long struggle to regain self-sufficiency and cultural identity. Because the majority of the district's Indians live on reservations—and conditions are hardest there—we'll concentrate on reservation economies. But because the Indian population is highly mobile between cities and reservations, sometimes living part of the year in each, we'll also speak more broadly about Indian Country, including those who live in urban areas like south Minneapolis and those who migrate back and forth.

R&D

John Zysman

The 4th Service Transformation: The Algorithmic Revolution

The Berkeley Roundtable on the International Economy – Working Paper – March 2006 – 5 pages

<http://brie.berkeley.edu/~briewww/wp%20171.pdf>

“We are in the midst of the 4th services transformation. The core story is not about the growth in the quantity or the value of the activities we label as services. Rather, the present story is the application of rule-based Information Technology tools to these service activities. This application has the potential to transform the services component of the economy, altering how activities are conducted and value is created. Services were once seen as a sinkhole of the economy, immune to significant technological or organizationally driven productivity increases. Now the IT enabled reorganization of services, and business processes more generally, has become a source of dynamism in the economy.”

ENERGY

Dick Lugar

Energy is the Albatross of U.S. National Security

The Brookings Institution – Speech – March 13, 2006 – 12p

<http://www.brookings.edu/comm/events/20060313lugar.pdf>

“The gasoline price spikes following the Katrina and Rita hurricanes underscored for Americans the tenuousness of short-term energy supplies. But, as yet, there is not a full appreciation of our economic vulnerability or the competition that is already occurring throughout the world.”

Ben Lieberman

Correcting Mistakes of the 1990s Should Top the Energy Agenda for 2006

The Heritage Foundation - Backgrounder #1921 – March 20, 2006 – 11 pages

<http://www.heritage.org/Research/EnergyandEnvironment/bg1921.cfm>

“Despite the high energy prices in recent years, Washington has done little to deal with them beyond producing a 1,700-page energy bill that is unlikely to do much good. The energy policy mis-takes of the 1990s largely remain in place and contribute to the problems. The nation is still failing to make full use of its available oil and natural gas resources, and Washington continues to hamper the energy sector with a host of costly and unnecessary regulatory requirements. Congress can and should correct these mistakes to alleviate the high cost of energy for 2006 and beyond.”

EMPLOYMENT

Kristin F. Butcher, Kevin F. Hallock

Assessing the Impact of Job Loss on Workers and Firms

FRB Chicago – Fed Letter - April 2006 – 4p

http://www.chicagofed.org/publications/fedletter/cflapril2006_225a.pdf

“The United States enjoys a higher standard of living due, in part, to our willingness to embrace change. However, there will be winners and losers associated with these changes. Many participants agreed that it is critical to have policies that help compensate those who lose in this equation, since this will help ensure that we continue to have a dynamic economy.”

Agencies Are Using Buyouts and Early Outs with Increasing Frequency to Help Reshape Their Workforces

GAO – Report – March 2006 – 40p

<http://www.gao.gov/cgi-bin/getrpt?GAO-06-324>

“As agencies transform to better meet 21st century challenges and changing missions, they are increasingly recognizing the need to reshape their workforces to meet these challenges. The Congress also recognized this need and responded to it by designing legislation creating buyout and early-out programs as additional tools agencies could consider using in their efforts to reshape their workforces. Our review shows that agencies have taken advantage of these programs and are employing certain practices that help them to use these tools more effectively.”

Offshoring in Six Human Service Programs: Offshoring Occurs in Most States, Primarily in Customer Service and Software Development.

GAO – Report - March 28, 2006 – 45 pages

<http://www.gao.gov/cgi-bin/getrpt?GAO-06-342>

“As states and the federal government have sought to streamline and improve administrative processes and take advantage of technological advances, both have outsourced certain functions to private firms. In some cases, these firms have used offshore resources to perform these functions. As a result, questions have been raised about the prevalence of offshoring in federal human services programs. In response to widespread congressional interest, we conducted work under the Comptroller General’s authority to determine (1) the occurrence and nature of offshoring, (2) the benefits state agencies have achieved through offshoring and problems they have encountered, and (3) the actions, if any, states and the federal government have taken to limit offshoring and why.”

Unemployment Insurance: Factors Associated with Benefit Receipt.

GAO – Report - March 7, 2006 – 97 pages

<http://www.gao.gov/cgi-bin/getrpt?GAO-06-341>

“Unemployment Insurance (UI), established in 1935, is a complex system of 53 state programs that in fiscal year 2004 provided \$41.3 billion in temporary cash benefits to 8.8 million eligible workers who had become unemployed through no fault of their own. Given the size of the UI program, its importance in helping workers meet their needs when they are unemployed, and the little information available on what factors lead eligible workers to receive benefits over time, GAO was asked to determine (1) the extent to which an individual worker’s characteristics, including past UI benefit receipt, are associated with the likelihood of UI benefit receipt or unemployment duration, and (2) whether an unemployed worker’s industry is associated with the likelihood of UI benefit receipt and unemployment duration.”

SOCIAL SECURITY

Craig S. Hakkio and Elisha J. Wiseman

Social Security and Medicare: The Impending Fiscal Challenge

FRB Kansas City – Economic Review – First Quarter 2006 – 35p

<http://www.kc.frb.org/publicat/econrev/PDF/1q06hakk.pdf>

“Social Security—and the solvency of its Trust Fund—have increasingly become a focus of discussion in the media and policy circles. The basic problem is that promised benefits will soon exceed program revenues. Without changes in benefits or funding, the Trustees of Social Security project that assets in the Trust Fund will be depleted in 2041. While Social Security is a serious problem for taxpayers and beneficiaries, Medicare poses an even greater challenge. Together, the two programs’ benefits currently amount to about 6 percent of GDP. By 2080 they are projected to swell to 20 percent.”

Federal Program Compared Favorably with Other Products, and Analysis of Claims Trend Could Inform Future Decisions

GAO – Report – March 2006 – 58p

<http://www.gao.gov/cgi-bin/getrpt?GAO-06-401>

“The Long-Term Care Security Act required the federal government to offer long-term care insurance to its employees, their families, and others. The act also required GAO to conduct a study of the competitiveness of the Federal Long Term Care Insurance Program, which began in 2002, compared with individual and group products generally available in the private market. GAO compared the federal program’s benefits, premiums, enrollment rates, and enrollee characteristics with other products over a 3-year period. GAO also compared the federal program’s early claims experience with initial expectations.”

John C. Goodman, Devon Herrick and Matt Moore

Ten Steps to Reforming Baby Boomer Retirement

National Center for Policy Analysis - Policy Report No. 283 - March 2006 – 40 pages

<http://www.ncpa.org/pub/st/st283/st283.pdf>

“As 77 million members of the Baby Boom generation begin to retire, America is about to experience one of the most dramatic economic, sociological and demographic changes in its history. The institutions we have relied upon in the past are completely unprepared for what lies ahead. What steps can be taken to secure the retirement of baby boomers and future generations of retirees?”

James C. Capretta

Building Automatic Solvency into U.S. Social Security: Insights from Sweden and Germany

The Brookings Institution – Policy Brief – March 6, 2006 – 8p

<http://www.brookings.edu/comm/policybriefs/pb151.pdf>

“Ideally, U.S. policymakers will reach a consensus on Social Security solvency reforms. Sweden and Germany have shown that it is possible and desirable to put in place provisions that can automatically self-correct underfunding of pay-as-you-go pension systems. The U.S. should put in place such provisions for Social Security, ensuring permanent solvency for the program.”

Peter Fortune

Pension Accounting and Corporate Earnings: The World According to GAAP

FRB Boston – Discussion Paper – February 2006 – 48p

<http://www.bos.frb.org/economic/ppdp/2006/ppdp062.pdf>

“This study’s underlying premise is that current pension plan accounting has two important negative effects. First, it distorts the measurement of earnings and net worth in the short run, as well as the pattern of earnings over future periods. Second, this distortion can send incorrect signals to investors about a firm’s health, resulting in the mispricing of a firm’s outstanding debt and equity instruments. The author demonstrates how

these distortions are introduced, examines the magnitude of the distortions, and discusses proposals for reform.”

John Goodman

Health Savings Accounts: Answering the Critics

NCPA Brief Analyses, March 2006

<http://www.ncpa.org/pub/ba/ba544/>

<http://www.ncpa.org/pub/ba/ba545/>

<http://www.ncpa.org/pub/ba/ba546/>

“Critics of Health Savings Accounts (HSAs) have a litany of complaints. They say HSAs only benefit the young, healthy and wealthy. They argue HSAs won't reduce the number of medically uninsured. NCPA President in three Brief Analyses provides answers to some of the most important criticisms.”

Jagadeesh Gokhale and Michael D. Tanner

KidSave: Real Problem, Wrong Solution

CATO Institute – Policy Analysis – January 24, 2006 – 16p

<http://www.cato.org/pubs/pas/pa562.pdf>

“There is growing bipartisan recognition that the pathway out of poverty is not through consumption but through saving and accumulation. That idea has led to a number of interesting and innovative experiments by state and local governments and by private charitable organizations and has helped fuel the drive for personal accounts as part of Social Security reform. It has also, however, spawned a movement for some form of “children’s allowance,” or federally funded grant to children, known generally as KidSave accounts, that would be saved for education and retirement.”

January 2006 Census Shows 3.2 Million People Covered by HSA Plans

America's Health Insurance Plans - Study - March 09, 2006 – 7 pages

<http://www.ahip.org/content/default.aspx?docid=15302>

“The number of people covered by health savings accounts/high-deductible health plans (HSA/HDHPs) reached almost 3.2 million in January 2006, and more than tripled the HSA/HDHP coverage of about one million reported by AHIP members in March 2005.”

FOREIGN INVESTMENT - INTERNATIONAL TRADE

Mr. James Lambright

Export-Import Bank Reauthorization

US Senate Committee on International Trade and Finance – March 8, 2006 – Hearing

<http://banking.senate.gov/index.cfm?Fuseaction=Hearings.Detail&HearingID=196>

“Make no mistake about it – I believe that U.S. workers make goods and services that can more than match the price and quality of any of our major competitors. But when other export credit agencies such as COFACE of France, Hermes of Germany, or ECGD of Great Britain offer financial support to their exporters, Ex-Im Bank steps in to “level the playing field” for our exporters and our workers. We want to make it possible to keep those jobs here in the United States.”

Foreign Investment, Jobs and National Security: The CFIUS Process

House Committee on Financial Service – March 1, 2006 – Hearing -

<http://financialservices.house.gov/hearings.asp?formmode=detail&hearing=444>

Among the panel:

Chairman Michael G. Oxley ; Representative Judy Biggert ; Robert M. Kimmitt, Deputy Secretary, U.S. Department of Treasury ; Michael P. Jackson, Deputy Secretary, U.S. Department of Homeland Security ; Eric S. Edelman, Under Secretary of Defense for Policy, U.S. Department of Defense ; David Welch, Assistant Secretary, Bureau of Near Eastern Affairs, U.S. Department of State ; James K. Glassman, Resident Fellow, American Enterprise Institute ; Todd M. Malan, President & CEO, Organization for International Investment ; David M. Marchick, Partner, Covington and Burling ; William A. Reinsch, President, National Foreign Trade Council ; Clark Ervin, Director, Homeland Security Initiative, The Aspen Institute.

2006 Trade Policy Agenda and 2005 Annual Report of the President of the United States on the Trade Agreements Program

U.S.T.R. – Reports - March 1, 2006

http://www.ustr.gov/Document_Library/Reports_Publications/2006/2006_Trade_Policy_Agenda/Section_Index.html

The 2006 report details the many benefits of trade for U.S. businesses, farmers and ranchers, service providers and consumers, reviews the Administration's accomplishments of 2005 and lays out its ambitious agenda for 2006.

U.S.-China Trade Relations: Entering a New Phase of Greater Accountability and Enforcement

U.S.T.R. – Report – February 2006 – 29 pages

http://www.ustr.gov/assets/Document_Library/Reports_Publications/2006/asset_upload_file921_8938.pdf

“This report is the first comprehensive statement of U.S. trade policy toward China since China joined the World Trade Organization (WTO) in 2001. It assesses U.S.-China trade ties following China's first four years of membership in the WTO and reflects input from private China experts, industry, Congress and U.S. government agencies.”

Daniel Ikenson

Nonmarket Nonsense: U.S. Antidumping Policy toward China

Center for Trade Policy Studies – Trade Briefing – March 7, 2006 – 12p

<http://www.freetrade.org/pubs/briefs/tbp-022.pdf>

“Although the White House has little discretion to intervene and block the imposition of antidumping duties—like it has in safeguards cases—it absolutely holds sway over the policy direction of the Department of Commerce. The administration should take a hard look at its antidumping policy toward China, particularly the DOC's absurd nonmarket economy methodology, as well as some dubious rules changes that the agency is considering. An honest assessment will lead to the conclusion that U.S. antidumping policy is undermining the otherwise laudable efforts of the administration to keep the U.S.-China trade relationship on sound footing.”

Sandra Polaski

Winners and Losers: Impact of the Doha Round on Developing Countries

Carnegie Endowment – Report – March 2006 – 117p

<http://www.carnegieendowment.org/files/Winners.Losers.final2.pdf>

“Winners and Losers: Impact of the Doha Round on Developing Countries presents a new, path breaking model of global trade as a tool to analyze the potential impacts of the negotiations and underlying economic interests of the WTO’s diverse members. This new Carnegie model makes several critical innovations—notably, modeling unemployment in developing countries and separating agricultural labor markets from urban unskilled labor markets. The result is a thorough, detailed, and more accurate analysis of the impact of trade policies on both developing and developed countries.”

International Remittances: Different Estimation Methodologies Produce Different Results.

GAO – Report - March 28, 2006 – 58 pages

<http://www.gao.gov/cgi-bin/getrpt?GAO-06-210>

“In light of the growing volume of remittances and the differences in estimates, GAO examined (1) the methodology that the Bureau of Economic Analysis (BEA) uses to develop the official U.S. estimate, (2) methodologies that other countries and multilateral organizations use to estimate remittances, and (3) international efforts to improve the collection and reporting of remittance data.”